

Message Text

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ACTION IO-14

INFO OCT-01 ISO-00 IOE-00 AF-10 ARA-10 EA-07 EUR-12

NEA-10 OIC-02 EB-07 AID-05 IGA-02 SP-02 USIA-06

NSC-05 EPG-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01

COME-00 L-03 CIAE-00 INR-07 NSAE-00 ABF-01 FS-01

AGR-01 /129 W

-----141927Z 065201 /46

P R 141505Z JUN 77

FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC PRIORITY 8687

INFO AMEMBASSY BONN

AMEMBASSY BRASILIA

AMEMBASSY BRUSSELS

AMEMBASSY CANBERRA

AMEMBASSY COPENHAGEN

AMEMBASSY FREETOWN

USMISSION GENEVA PRIORITY

AMEMBASSY ISLAMABAD

AMEMBASSY JAKARTA

AMEMBASSY LIMA

AMEMBASSY LONDON

AMEMBASSY MEXICO

AMEMBASSY NEW DELHI

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AMEMBASSY PARIS

USLO PEKING

AMEMBASSY REYKHAVIK

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY TEHRAN

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

AMEMBASSY TUNIS

AMEMBASSY VIENNA

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E.O. 11652: N/A

TAGS: UNDP, AORG, EAID, UR, US

SUBJECT: SOVIET REACTION TO INDICATED REMARKS BY AID ADMINIS-

TRATOR GILLIGAN

REFS: (A) STATE 135743, (B) GENEVA 4707 (NOTAL)

SUMMARY: WE PROVIDED SUBSTANCE OF PLANNED GILLIGAN REMARKS (REFTEL A) TO SOVIET MINISTRY OF FOREIGN AFFAIRS (MFA) JUNE 14. ALTHOUGH NOTING THAT US AND SOVIET VIEWS NEITHER IDENTICAL NOR CLOSE, MFA OFFICIAL EXPRESSED GUARDED SUPPORT FOR SOME OF US OBJECTIVES. HE ACKNOWLEDGED PROPRIETY OF CONCENTRATING AID ON POOREST COUNTRIES BUT SAID THAT THIS FORMULATION HAD DETRIMENT OF EXCLUDING MANY OF USSR'S EAST EUROPEAN FIRENDS. CONCERNING USE OF NON-CONVERTIBLE FUNDS, MFA OFFICIAL SAID THERE WAS SOME PROSPECT IF US PROPOSAL SIMPLY MEANT BETTER UTILIZATION ALONG CURRENT LINES OF THESE FUNDS, BUT HE REHEARSED FAMILIAR SOVIET POSITION ON PROPOSALS TO BRING ABOUT THEIR "CONCERTIBILITY." END SUMMARY.

1. E/C COUNSELOR CALLED JUNE 14 ON VLADIMIR POZHARSKIY, DEPUTY CHIEF OF INTERNATIONAL ECONOMIC ORGANIZATIONS DIVISION OF MFA, TO PRESENT SUBSTANCE OF GOVERNOR GILLIGAN'S PLANNED REMARKS (REF A). COUNSELOR READ AND LEFT SUMMARY "NON-PAPER" AND INVIGED COMMENTS FROM POZHARSKIY, WHO WAS DEPUTY REPRESENTATIVE OF SOVIET MISSION TO THE UNITED NATIONS, GENEVA, 1968-1971.

2. AFTER LISTENING TO THIS EXPOSITION, POZHARSKIY COMMENTED THAT MFA WOULD HAVE TO STUDY OUR PORPOSALS BEFORE GIVING ANY DETAILED COMMENT. COMMENT WOULD PROBABLY COME IN GENEVA T MINISTERIAL-LEVEL DISCUSSIONS. WITH FOREGOING CAVEAT, HE WAS PREPARED TO PROVIDE SOME PROVISIONAL RESPONSE. WHILE IT LIMITED OFFICIAL USE

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WOULD BE AN EXAGGERATION TO SAY THAT OUR POSITIONS WERE THE SAME OR EVEN CLOSE, HE BELIEVE THAT HE COULD FIND SOME POINTS IN OUR PRESENTATION WITH WHICH SOVIETS WERE IN GENERAL SYMPATHY. FOR EXAMPLE, THEY SHARE OUR INTEREST IN ACHIEVING THE MAXIMUM FINANCIAL EFFICIENCY IN THE OPERATIONS OF THE UNITED NATIONS AND ARE HENCE CONCERNED ABOUT THE GROWTH OF ASSESSED BUDGETS IN SPECIALIZED AGENCIES. POZHARSKIY STATED THAT SOVIETS PREFER TO SEE DEVELOPMENT ASSISTANCE MANAGED THROUGH THE "REGULAR" METHOD, THAT IS, THROUGH THE UNDP.

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3. NOTING THAT GOVERNOR GILLIGAN'S SPEECH WILL STRESS
OUR VIEW THAT AID SHOULD BE CONCENTRATED ON POOREST NATIONS,
COUNSELOR INVITED POZHARSKIY'S COMMENTS ON THIS SPECIFIC
POINT. LATTER RESPONDED THAT THIS WOULD PROBABLY NOT CREATE

ANY MAJOR DIFFICULTY BETWEEN US. THE SOVIETS ALSO BELIEVE IN PRINCIPLE THAT AID SHOULD BE GIVEN TO THOSE WHO ARE MOST IN NEED OF IT, HE ASSERTED. HOWEVER, "SPEAKING FRANKLY AND INFORMALLY" THIS FORMULATION EXCLUDES A NUMBER OF THE USSR'S FRIENDS, THE EAST EUROPEAN STATES, WHO DO NOT QUALIFY FOR AID UNDER THIS FORMULA. THEREFORE, THERE WERE SOME PROBLEMS WITH THIS FORMULATION.

4. COUNSELOR NOTED THAT SPEECH WILL ALSO REFER TO MORE EFFECTIVE UTILIZATION OF NON-CONVERTIBLE CURRENCIES BY UNDP. POZHARSKIY RESPONDED THAT THIS IS THE MOST DIFFICULT AND COMPLICATED PART OF THE MATTER. THE SUBJECT HAS BEEN DISCUSSED, NOTED, WITH THE EMBASSY, IN NEW YORK, IN WASHINGTON (HE THOUGHT) AND RECENTLY WITH UNDP ADMINISTRATOR MORSE. IF THE US MEANS ONLY THAT MORE ATTENTION SHOULD BE GIVEN TO FINDING USES FOR THESE "NATIONAL" FUNDS, THERE MIGHT BE SOME PROSPECT FOR PROGRESS. REMINDING THAT OUR PAST PROPOSALS SOUGHT TO MAKE THESE FUNDS USABLE THROUGH TRANSFER OF NON-CONVERTIBLE ACCOUNTS TO ACTIVITIES OF THIRD STATES IN USSR OR OTHER DONORS OF NON-CONVERTIBLE CURRENCY, POZHARSKIY SAID THAT THESE PROPOSALS WERE UNACCEPTABLE. SHARE OF FUNDS EARMARKED FOR UNDP DEVELOPMENT ASSISTANCE IN "NATIONAL" CURRENCY COULD, IN CASE OF USSR, BE USED ONLY FOR PURPOSE AUTHORIZED. SUBSTITUTION WOULD CREATE LEGAL PROBLEM, FOR IT WOULD INVOLVE ATTEMPT TO "CONVERT" FUNDS WHICH ARE TRULY NON-CONVERTIBLE. THERE WERE NO REALISTIC PROSPECTS FOR SUCH A DEVELOPMENT, HE THOUGHT.

5. ASKED HOW SOVIETS MIGHT ENVISION GREATER USE OF NON-LIMITED OFFICIAL USE

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CONVERTIBLE CURRENCIES FOR DEVELOPMENT ASSISTANCE, POZHARSKIY SAID THAT THIS HAS BEEN TAKEN UP WITH MORSE. SOVIETS HAD IN MIND USING FUNDS ALONG SAME LINE AS AT PRESENT. "MOST" OF CURRENT SOVIET NON-CONVERTIBLE CONTRIBUTION IS ACTUALLY USED, HE SAID. PROBLEM IS HOW TO APPLY LARGE BACKLOG OF SUCH CURRENCY. HE STATED THAT THESE RUBLE FUNDS COULD BE USED FOR SOVIET EQUIPMENT, SEMINARS IN THE USSR, TRANSPORTATION BY SOVIET AIRLINE AEROFLOT TO MEETINGS IN USSR OR ELSEWHERE (HE CORRECTED THIS TO SAY "MAINLY IN USSR"), ETC.

6. COMMENT: WE DO NOT KNOW WHAT TRANSPIRED BETWEEN MORSE AND SOVIET OFFICIALS ON USE OF NON-CONVERTIBLE CURRENCIES (OR OTHER MATTERS) BUT ASSUME THAT REFERENCE TO INTENSIFIED PROGRAM OF UTILIZATION (REF B) REFERS TO SUBJECTS SUCH AS EQUIPMENT, MEETINGS AND TRANSPORTATION MENTIONED BY POZHARSKIY. WE HAVE SEEN NO SIGN OF SOVIET GIVE ON THE ISSUE OF SUBSTITUTION OF CONVERTIBLE OR RECIPIENT STATE CURRENCIES FOR THESE FUNDS. WE DID FIND SOMEWHAT SURPRISING (AND MORE THAN A BIT SPECIOUS) POZHARSKIY'S SUGGESTION THAT USSR WOULD LIKE TO GIVE "AID" THROUGH UNDP TO ITS EAST EUROPEAN FRIENDS, WHO WOULD BE

EXCLUDED FROM "POOREST" COUNTRY FORMULA. IF SOVIETS REALLY WANT TO "AID" THSE FRIENDS MORE DIRECTLY, THEY HAVE ABUNDANT MEANS FOR DOING SO OUTSIDE UN FRAMEWORK. PRESUMABLY REAL MEANING IS THAT SOVIETS ARE RELUCTANT TO FOCUS AID ON COUNTRIES WITH WHICH THEY ARE NOT IN SYMPATHY ON POLITICAL OR STRATEGIC GROUNDS.

7. WE ARE APPRECIATIVE OF HAVING HAD OPPORTUNITY TO PROVIDE THIS INFORMATION TO SOVIETS IN ADVANCE OF SPEECH. IF DEPARTMENT CAN CONTINUE TO MAKE AVAILABLE TO US INFORMATION FOR PRESENTATION TO RANKING SOVIET OFFICIALS, WE WILL BE IN SOMEWHAT BETTER POSITION TO SUPPLEMENT FROM MOSCOW THOSE VIEWS ON INTERNATIONAL ECONOMIC ISSUES WHICH DEPARTMENT, USUN AND USMISSION GENEVA CAN OBTAIN THROUGH THEIR OWN CHANNELS. TOON

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